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RECEIVED

AUG 28 2005

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DOCKETING DEPT.

August 22, 2005

VIA HAND DELIVERY

Mr. Charles L.A. Terreni, Esquire
Chief Clerk/Administrator
South Carolina Public Service Commission
101 Executive Center Dr., Suite 100
Columbia, SC 29210

RE: Duke Power- Annual Review of Base Rates for Fuel Costs
Docket No.: 2005-3-E

Dear Mr. Terreni:

Enclosed for filing please find the original and sixteen (16) copies of the Settlement Agreement Exhibit 1 in the above-referenced matter. This exhibit was inadvertently not filed with the Settlement Agreement on August 18, 2005. Please date stamp one copy and return it to me via our courier.

I apologize for any inconvenience this may have caused.

We have served same on all parties of record and enclosed a Certificate of Service to that effect.

Please let me know if you have any questions.

Sincerely,


C. Lessie Hammonds

cc: Lara Simmons Nichols, Esquire (w/enclosure)
Richard L. Whitt, Esquire (w/enclosure)
Scott Elliott, Esquire (w/enclosure)

Duke Power

Electricity No. 4
South Carolina Nineteenth Revised Leaf No. 50B
Superseding South Carolina Eighteenth Revised Leaf No. 50B

ADJUSTMENT FOR FUEL COSTS

APPLICABILITY

This adjustment is applicable to and is a part of the Utility's South Carolina retail electric rate schedules.

The Public Service Commission has determined that the costs of Fuel in an amount to the nearest one ten-thousandth of a cent, as determined by the following formula, will be included in the base rates to the extent determined reasonable and proper by the Commission.

$$F = E / S + G / S_1$$

Where:

- F = Fuel cost per kilowatt-hour included in base rate, rounded to the nearest one ten-thousandth of a cent.
- E = Total Projected system Fuel costs:
- (A) Fuel consumed in the Utility's own plants and the Utility's share of fuel consumed in jointly owned or leased plants. The cost of fossil fuel shall include no items other than those listed in Account 151 of the Commission's Uniform System of Accounts for Public Utilities and Licensees plus SO₂ emission allowances recorded in Account 509. The cost of nuclear fuel shall be that as shown in Account 518 excluding rental payments on leased nuclear fuel and except that, if Account 518 also contains any expense for fossil fuel which has already been included in the cost of fossil fuel, it shall be deducted from this account.

Plus
 - (B) Fuel costs related to purchased power (and applicable SO₂ emission allowances) such as those incurred in unit power and limited term power purchases where the fossil fuel costs and applicable SO₂ emission allowances associated with energy purchased are identifiable and are identified in the billing statement. Also the cost of 'firm generation capacity purchases' which are defined as purchases made to cure a capacity deficiency or to maintain adequate reserve levels. "Costs of firm generation capacity purchases" include the total delivered costs of firm generation capacity purchased and excludes generation capacity reservation charges, generation capacity option charges and any other capacity charges.

Plus
 - (C) Fuel costs related to purchased power (including transmission charges and applicable SO₂ emission allowances), such as short term, economy and other such purchases, where the energy is purchased on an economic dispatch basis, including the total delivered cost of economy purchases of electric power defined as purchases made to displace higher cost generation at a cost which is less than the purchasing utility's avoided variable costs for the generation of an equivalent quantity of electric power. Energy receipts that do not involve money payments such as Diversity energy and payback of storage energy are not defined as purchased or interchange power relative to this fuel calculation.

Minus
 - (D) The cost of fuel and applicable SO₂ emission allowances recovered through intersystem sales including the fuel costs and applicable SO₂ emission allowances related to economy energy sales and other energy sold on an economic dispatch basis.
Energy deliveries that do not involve billing transactions such as Diversity energy and payback of storage energy are not defined as sales relative to this fuel calculation.
- S = Projected system kilowatt-hour sales excluding any intersystem sales.
- G = Cumulative difference between jurisdictional fuel revenues billed and fuel expenses at the end of the month preceding the projected period utilized in E and S.
- S₁ = Projected jurisdictional kilowatt-hour sales for the period covered by the fuel costs included in E.

The appropriate revenue-related tax factor is to be included in these calculations.

The fuel cost F as determined by SCPSC Order No. XXXX-XXX for the period October 2005 through September 2006 is 1.5802 cents per kilowatt-hour. The fuel cost will be further adjusted by a deferred tax decrement rider of 0.1732 cents per kilowatt-hour for a net billing factor of 1.4070 cents per kilowatt-hour for the period October 2005 through September 2006.